

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 AGR-20 L-03 H-03 PA-04 PRS-01 USIA-15

DRC-01 /185 W

----- 093153

R 192145Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6355

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE TEGUCIGALPA 0706

E.O. 11652: N/A

TAGS: EGEN, HO, XK

SUBJECT: HONDURAS BILATERAL TRADE AGREEMENTS

GUATEMALA ALSO FOR ROCAP

SUMMARY: HONDURAN PROBLEMS WITH BILATERAL TRADE  
ARRANGEMENTS WITH NEIGHBORING COUNTRIES DEMONSTRATE  
TRADITIONAL INTER-REGIONAL TRADE DIFFICULTIES. WORSENER  
BILATERAL BALANCE WITH GUATEMALA AND APPARENT CUSTOMS  
ADMINISTRATIVE DIFFICULTY WITH NICARAGUA GIVEN SOME  
IMPORTANCE. NO ACTION REQUESTED END SUMMARY.

1. SEVERAL PRESS REPORTS INDICATE HONDURAN EXPORTS TO  
NICARAGUA OF SOAPS, DETERGENTS AND COOKING OILS HAVE BEEN  
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DELAYED AT THE FRONTIER CONTRARY TO BILATORAL ACCORD.

WHILE DIFFICULTY MAY BE ADMINISTRATIVE PROBLEM COMES AT TIME WHEN HONDURAS INCREASINGLY AWARE OF IMBALANCE OF INTER-REGIONAL TRADE.

2. BILATERAL IMBALANCE WITH GUATEMALA NOW INCREASING WITH EXCHANGE OF GOODS AND SERVICES OPERATING FOUR TO ONE AGAINST HONDURAS.

3. ONE GOH OFFICIAL HAS EXPRESSED VIEW THAT THREE CAUSES ARE AT BASE OF DIFFICULTY. FIRST THE LACK OF INTEREST OF NEIGHBORING CONTRIES IN HONDURAN PRODUCTS, SECOND THE DESIRE OF NATIONALS OF A GIVEN COUNTRY TO CONSUME NATIONAL PRODUCTS, AND FINALLY THE LACK OF AGGRESSIVENESS OF HONDURAN PRODUCERS TO DEVELOP NEW EXPORTABLE PRODUCTS. THE CITED CONDITIONS ARE A PORTION OF HONDURAN DIFFICULTIES WITH RESTRUCTURING OF THE CENTRAL AMERICAN COMMON MARKET. THE APPARENT ADMINISTRATIVE PROBLEM WITH NICARAGUA IS ANOTHER STRAW.

4. IMMEDIATE REACTION ON THE PART OF THE GOH IS NOT EXPECTED. HOWEVER, THE WIDE DISTRIBUTION TO THE PRESS OF COMPLAINTS AGAINST THE OPERATION OF BILATERAL AGREEMENTS MAY SIGNAL THE START OF REEVALUATION OF BILATERALS, PARTICULARLY IN THE CASE OF GUATEMALA.

5. COMMENT: SOME OBSERVERS HAVE FELT THAT THE FUNCTIONING BILATERALS WOULD PROVIDE A BASIS FOR HONDURAN NEGOTIATIONS FOR THE RESTRUCTURING OF THE COMMON MARKET. THE FACT THAT THE BILATERALS ARE NOW SUBJECT TO DOUBTS IS INDICATION THAT FUNDAMENTAL HONDURAN PROBLEMS WITH THE CACM HAVE NOT BEEN SOLVED. HONDURAN INITIATIVE BOTH THROUGH THE HIGH LEVEL COMMITTEE AND ON A BILATERAL BASIS CAN BE EXPECTED.  
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